

Water for Texas

January 2017

Show Me the Money!

Nuts, Bolts & Lessons Learned
of the TWDB Application Process

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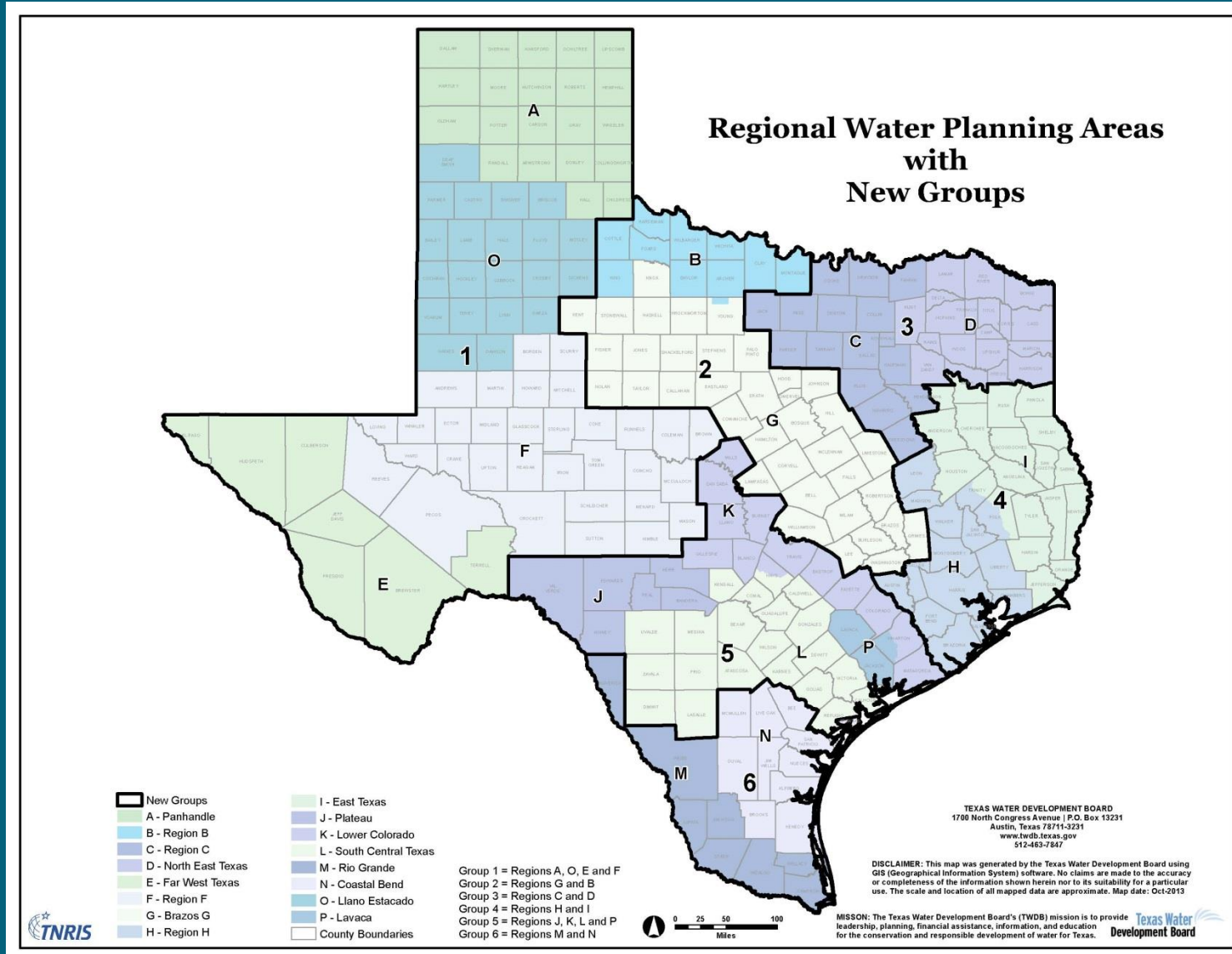
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OVERVIEW

What's Changed?

- Streamlined Environmental Process with EA and EID templates
- Automatic eligibility of Categorical Exclusion for repair and replacement – water and sewer
- On-Line financial applications and Project Information Forms (PIFs)
- Structured Teams – constant contact with the SAME staff for your region
- Attitude – Pro-Active, Pro-Active, Pro-Active!

Regional Teams



TWDB State Funding Programs

- State Revolving Funds (CWSRF and DWSRF)
- **Economically Distressed Areas Program (EDAP) – Not Accepting Applications due to Funding Constraints**
- Rural Water Assistance Fund (RWAF)
- Development Fund (Dfund)
- State Water Implementation Funds for Texas (SWIFT)
- Flood Protection Planning/Mitigation
- Agriculture Water Conservation Grants/Loans
- **Regional Facility Planning Grant Program (Suspended)**
- Planning Research Grant Program

FINANCIAL INCENTIVES & APPLICATION PROCESS

Key Financial Incentives

- Opportunity for subsidized loans
- Opportunity for grant funding in the form of Principal Forgiveness
- CWSRF and DWSRF offer Principal Forgiveness up to 70% dependent on need and availability of funds
 - Additional Principal Forgiveness funding available for certain green projects

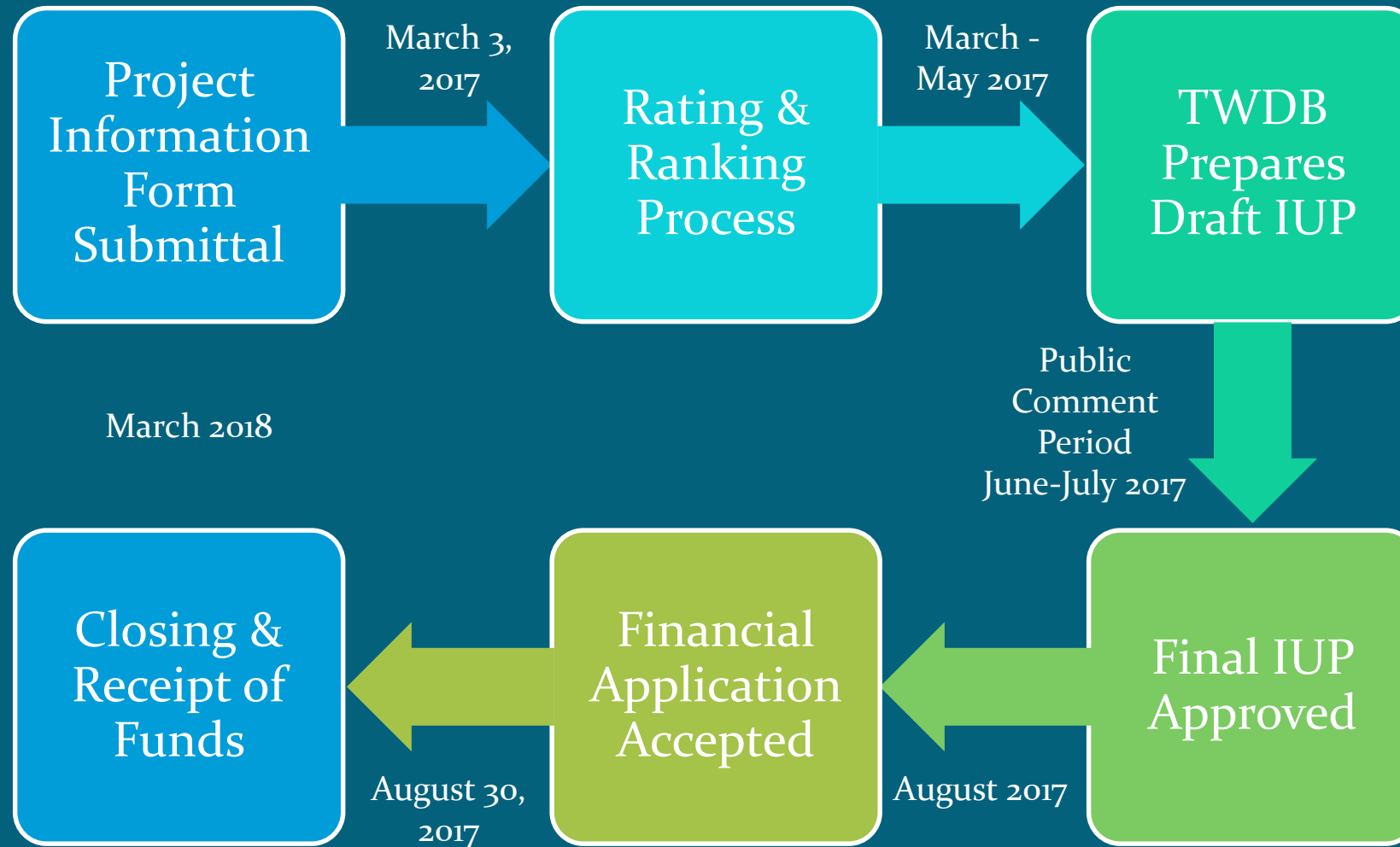
Key Financial Incentives

- DWSRF interest rate is subsidized 125 basis points below market with up to 30-year term and multi-year commitments
- DWSRF also offers up to \$200,000 Principal Forgiveness for Small Communities and \$500,000 Principal Forgiveness for Urgent Need
- CWSRF interest rate is subsidized 120-155 basis points below market with up to 30-year term and multi-year commitments
- SWIFT currently offers interest rate subsidies up to 35% depending on repayment term
 - Currently there is additional subsidy, up to a total of 50%, for rural/agriculture entities

Example Debt Service Cost Savings

\$10 million: 20 Year Tax-Exempt Comparison			
Funding Option	Assumed Rate	Average Annual Payment	Total Payments Over 20 Years
Market	4.00%	\$ 740,400	\$ 14,808,000
CWSRF (1.55% Subsidy)	2.45%	\$ 640,165	\$ 12,803,290
- Estimated Savings	1.55%	\$ 100,236	\$ 2,004,710
DWSRF (1.25% Subsidy)	2.75%	\$ 658,737	\$ 13,174,738
- Estimated Savings	1.25%	\$ 81,663	\$ 1,633,263
SWIFT (35% Subsidy to TWDB Rate of 3.65%)	2.37%	\$ 635,173	\$ 12,703,459
- Estimated Savings	1.63%	\$ 105,227	\$ 2,104,541
* Rates and subsidies for illustration only, subject to change			

SRF Application Process



Application Process



“OLA”

(Online Application for Financial Assistance)

- OLA allows entities to submit and manage PIFs and funding applications
- Designed to streamline and simplify the application process
 - The system will automatically list all known issues with the form and/or application prior to submittal
 - User may quickly identify missing information by clicking the associated link(s)
- Same portal used for each funding program
- TWDB will continue to accept paper applications
 - Form TWDB-0148

Login



LOGIN

TWDB On-line Loan Application Login

Welcome to OLA, the Texas Water Development Board's Online Application. OLA allows entities to submit and manage Project Information Forms and applications for financial assistance from any of the TWDB's funding programs. It is designed to streamline and simplify the application process.

Follow the link for more information regarding the [TWDB's funding programs](#).

The TWDB will continue to accept paper applications. Follow the link if you would prefer to use the [paper application](#).

Username/email

Password

Sign In

Forgot/Change Password

Register

Please use the latest version of your browser for best performance. If you experience problems with this application, check your browser settings and adjust if necessary. If you are using IE, be sure Compatibility View mode is turned off.

<https://ola.twdb.texas.gov>

PIF Review

Editing PIF #100321

section 1.5

Please click on each issue below to fix them before submitting the PIF:

Issue List
Missing Project Name
Missing Project Short Desc
Missing Project Need Desc
Missing Project Long Desc
Missing County
Missing Start Date for First Contract
Missing Estimated Completion Date for Last Contract
Missing Entity First Name

The system will automatically list all known issues with the form prior to submittal

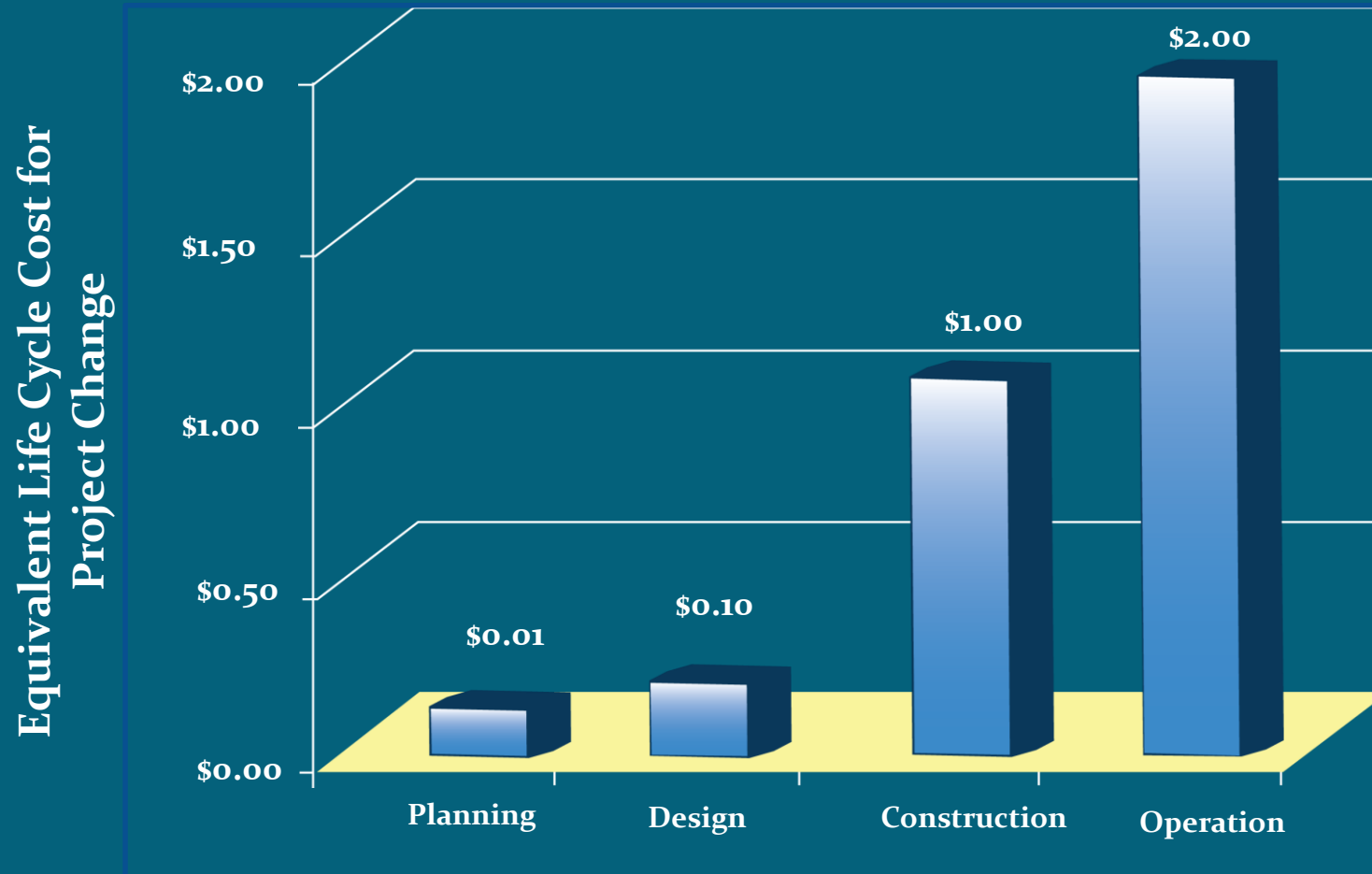
User may quickly identify missing information by clicking the associated link(s)

ENGINEERING & ENVIRONMENTAL SECTIONS

Project Information Form (PIF) – Key Elements

- Documentation of Issues! Water/Pressure Loss, Line Breaks/Repairs, Sewer Overflows, Treatment Issues and Others
- Understand the Scoring Criteria!
- TCEQ Enforcement Actions
- PAD or PADDC?
- Project Description and Cost
- Water & Wastewater Rates
- *Reminder – PIF Amount does not include Origination Fee for SRF Funding!*

Informed Decision-Making Minimizes Costly Changes Down the Road



Key Forms and Potential Issues

- Water Rights/Permitting Certification (WRD-208 (a) and (b))
- Site Certificate (ED-101)
- Water Loss Audits and Water Use Surveys
- Water Conservation Plan (\$500,000 or more)
- MWBE Documentation
- Preliminary Engineering Feasibility Report (PEFR)
- Project Schedule and Cash Flow
- Percent Green of Project (greater than 30% for benefit)
- Add Contingency to the Funding Resolution!

Pro-Active Strategies

- I/I Studies/WW Collection Rehab/WWTP Sizing
- Leak Detection/Water Line Replacement
- Meter Replacement - Check the Cash Register!
- Rate Studies/Repair & Replacement Fund
- Identify Green Elements of the Project
- Water Conservation and Drought Management Plan Development
- Multiple Funding Sources (USDA, CDBG)
- Document Issues!
- Timely Audits!
- GIS Development/CIP Planning

FINANCIAL SECTION

Financial Components – System Information

- Number of customers
 - Current and historical
- Top ten customers
 - Usage and percentage of revenue
- Rate structure
 - Average monthly bill
 - Planned increases

Financial Components – Economic and Demographic

- Tax base and tax rates (if applicable)
 - Overlapping taxing entities
 - Tax base classification and makeup
 - Top ten taxpayers
- Sales tax collection history (if applicable)
- Largest employers

Financial Components – Financial

- Operating statements
 - Five year history
- Most recent audit
- Outstanding debt by type (if applicable)
 - Bond rating
- Pro-forma
 - System revenues
 - Property tax supported
 - Combination of system revenues and property taxes

Sample Pro-forma

A	B	C	D	E	F	G	H	I	J	K	L	M	N
Fiscal Year 9/30	Water System - Projected Revenues Available for Debt Service					Existing Water System Supported Debt Service ⁽²⁾	DWSRF - PAD \$250,000 Existing Debt Service	\$10,000,000 - DWSRF - Construction Phase * Series 2017 - 2/15/2017 - 3.50%			Aggregate Water System Supported Debt Service	Annual Coverage	Fiscal Year 9/30
	Gross Revenues ⁽¹⁾	Growth	Operating Expenses	Growth	Net Revenues Available			Principal	Interest	Debt Service			
2017	\$ 1,000,000		\$ 600,000		\$ 400,000	\$ 36,361	\$ 29,894	\$ -	\$ 175,000	\$ 175,000	\$ 241,255	1.66x	2017
2018	1,055,427	5.5%	600,000	0.0%	455,427	34,693	29,331	-	350,000	350,000	414,025	1.10x	2018
2019	1,236,658	17.2%	600,000	0.0%	636,658	32,986	28,769	170,000	347,025	517,025	578,780	1.10x	2019
2020	1,238,366	0.1%	600,000	0.0%	638,366	31,226	28,206	180,000	340,900	520,900	580,332	1.10x	2020
2021	1,238,366	0.0%	600,000	0.0%	638,366	-	27,644	185,000	334,513	519,513	547,156	1.17x	2021
2022	1,238,366	0.0%	600,000	0.0%	638,366	-	27,081	195,000	327,863	522,863	549,944	1.16x	2022
2023	1,238,366	0.0%	600,000	0.0%	638,366	-	26,519	200,000	320,950	520,950	547,469	1.17x	2023
2024	1,238,366	0.0%	600,000	0.0%	638,366	-	25,956	210,000	313,775	523,775	549,731	1.16x	2024
2025	1,238,366	0.0%	600,000	0.0%	638,366	-	30,338	210,000	306,425	516,425	546,763	1.17x	2025
2026	1,238,366	0.0%	600,000	0.0%	638,366	-	-	250,000	298,375	548,375	548,375	1.16x	2026
2027	1,238,366	0.0%	600,000	0.0%	638,366	-	-	260,000	289,450	549,450	549,450	1.16x	2027
2028	1,238,366	0.0%	600,000	0.0%	638,366	-	-	270,000	280,175	550,175	550,175	1.16x	2028
2029	1,238,366	0.0%	600,000	0.0%	638,366	-	-	275,000	270,638	545,638	545,638	1.17x	2029
2030	1,238,366	0.0%	600,000	0.0%	638,366	-	-	285,000	260,838	545,838	545,838	1.17x	2030
2031	1,238,366	0.0%	600,000	0.0%	638,366	-	-	295,000	250,688	545,688	545,688	1.17x	2031
2032	1,238,366	0.0%	600,000	0.0%	638,366	-	-	305,000	240,188	545,188	545,188	1.17x	2032
2033	1,238,366	0.0%	600,000	0.0%	638,366	-	-	320,000	229,250	549,250	549,250	1.16x	2033
2034	1,238,366	0.0%	600,000	0.0%	638,366	-	-	330,000	217,875	547,875	547,875	1.17x	2034
2035	1,238,366	0.0%	600,000	0.0%	638,366	-	-	340,000	206,150	546,150	546,150	1.17x	2035
2036	1,238,366	0.0%	600,000	0.0%	638,366	-	-	355,000	193,988	548,988	548,988	1.16x	2036
2037	1,238,366	0.0%	600,000	0.0%	638,366	-	-	365,000	181,388	546,388	546,388	1.17x	2037
2038	1,238,366	0.0%	600,000	0.0%	638,366	-	-	380,000	168,350	548,350	548,350	1.16x	2038
2039	1,238,366	0.0%	600,000	0.0%	638,366	-	-	395,000	154,788	549,788	549,788	1.16x	2039
2040	1,238,366	0.0%	600,000	0.0%	638,366	-	-	405,000	140,788	545,788	545,788	1.17x	2040
2041	1,238,366	0.0%	600,000	0.0%	638,366	-	-	420,000	126,350	546,350	546,350	1.17x	2041
2042	1,238,366	0.0%	600,000	0.0%	638,366	-	-	435,000	111,388	546,388	546,388	1.17x	2042
2043	1,238,366	0.0%	600,000	0.0%	638,366	-	-	450,000	95,900	545,900	545,900	1.17x	2043
2044	1,238,366	0.0%	600,000	0.0%	638,366	-	-	470,000	79,800	549,800	549,800	1.16x	2044
2045	1,238,366	0.0%	600,000	0.0%	638,366	-	-	485,000	63,088	548,088	548,088	1.16x	2045
2046	1,238,366	0.0%	600,000	0.0%	638,366	-	-	500,000	45,850	545,850	545,850	1.17x	2046
2047	1,238,366	0.0%	600,000	0.0%	638,366	-	-	520,000	28,000	548,000	548,000	1.16x	2047
2048	1,238,366	0.0%	600,000	0.0%	638,366	-	-	540,000	9,450	549,450	549,450	1.16x	2048
						\$ 135,267	\$ 253,738	\$ 10,000,000	\$ 6,759,200	\$ 16,759,200	\$ 17,148,205		

Notes:

(1) Assumes growth in revenue to maintain 1.1x coverage.

(2) See breakdown of water system supported debt on question B10.

* Principal paid annually 2/15, first interest payment scheduled 8/15/2017.

LEGAL SECTION

Legal Section – Federal vs. State Programs

- Federal Drinking Water Act and Clean Water Act
 - RFQ process (except for CWSRF Non-Equivalency loans)
 - Davis-Bacon Act Compliance
 - American Iron and Steel
 - Uniform Land and Relocation Assistance Act
 - Loan funds held in escrow by third-party custodian
 - Ongoing compliance and monitoring
- State Programs
 - No DBE procurement required
 - Less monitoring/controls

Legal Section – Compliance and Monitoring

- 31 T.A.C. 371.88 (DWSRF Administrative Rule)
 - *“After the satisfactory completion of the project, the Applicant remains responsible for compliance with applicable laws and rules relating to the project and to the financial assistance documents including, but not limited to, submission of an annual audit, implementation and enforcement of the approved water conservation program and other assurances made to the Board. The Board has a continuing interest in the State's investment and therefore, the Applicant shall be subject to the continuing authority of the Board and the executive administrator through final payment of the financial assistance.”*

Legal Section – Compliance and Monitoring

➤ 31 T.A.C. 371.89 (DWSRF Administrative Rule)

- a) *“The financial assistance provided by the Board is based on the project's economic feasibility, and the Board shares the Applicant's desire to maintain this feasibility in the project's operation and maintenance at all times. The executive administrator shall periodically inspect, analyze, and monitor the project's revenues, operation, and any other information the Board requires in order to perform its duties and to protect the public interest.*
- b) *After construction is complete and the Applicant has completed construction, the executive administrator is authorized:*
 - 1) *to inspect the project at any time. If the executive administrator determines that the project is being improperly or inadequately operated and maintained to the extent that the project purposes are not being properly fulfilled or that integrity of the State's investment is being endangered, the executive administrator may require the Applicant to take corrective action;*
 - 2) *to inspect certified copies of all minutes, operating budgets, monthly operating statements, contracts, leases, deeds, audit reports, and other documents concerning the operation and maintenance of the project;*
 - 3) *to inspect and review the project and to obtain information through documents or interviews with appropriate personnel to ensure the Applicant is complying with the requirements of the covenants of the bond indenture and/or the master agreement;*
 - 4) *to inspect accounting and financial records to ensure that the Applicant maintains debt service fund accounts and all other fund accounts related to the DWSRF debt in accordance with standards set forth by the Governmental Accounting Standards Board; and*
 - 5) *to request the Applicant to determine the status of compliance with mitigation measures as required in the final environmental determination.”*

Legal Section – Pledge of Revenues

- Ad Valorem Tax Debt
- Revenue Bonds
 - Existing Covenants
 - Reserve Fund Requirements
 - Additional Bonds Test
 - USDA Consent; Parity Agreement
- Contract Revenue Bonds
 - No Additional Bonds Test or Reserve Fund Requirements
 - Contracts must be nearly final
- Nonprofit and For Profit Water Providers
 - Mortgage on all revenues, property rights, and facilities
 - Title insurance policy

Legal Section – DBE Procurement

- EPA policy: must make a “good faith effort” via “six affirmative steps”
- Must use at least two different methods to advertise bids (RFQ):
 - Internet, newspaper, mail, television, radio, trade & gov’t publications
- RFQs must contain specific language to comply with DBE rules
- Must keep bid window open for at least 14 days
- All actions must be well documented with appropriate forms

Water for Texas

Discussion